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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002729

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SUBJECT: NINEWA: FUEL CRISIS UPDATE

Classified By: Ninewa PRT Team Leader Jason Hyland: 1.4 (B) and (D)

This is a Ninewa Provincial Reconstruction Team (PRT) message.

¶1. (C) SUMMARY: PRT TL Hyland along with other PRT members met August 8 with Northern Oil Company Distribution Director Dr. Mohammed al-Zibari in his Dahuk offices for a lengthy discussion of the energy crisis in Ninewa province. He claimed the Bayji Oil Refinery's current operations are inefficient, corrupt and prevent the allocated fuel from being distributed to the province. He proposed that Al Kisik refinery could supply a significant portion of provincial need. To do so, the Kirkuk field would need to supply the refinery with crude. The consensus analysis is even running at full capacity, domestic refining capacity could supply at most 40% of Ninewa's demand and therefore fuel imports remain critical for the province. Dr. al-Zibari said GOI must allocate the funds for imports and then engage Turkey and Syria for import negotiations. End Summary.

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Challenges at Bayji  
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¶2. (C) All white market fuel products for Ninewa currently come from the Bayji Oil Refinery via fuel trucks. TL Hyland stressed to Dr. al-Zibari that the province needs to send more trucks to take full advantage of Bayji. Dr. al-Zibari responded that 50%-60% of the trucks sent now return empty due to logistical challenges. After an August 1 meeting, provincial and central GOI officials cleared up several of these obstacles, such as limited loading hours. Dr. al-Zibari gave the PRT Ministry of Oil (MOO) documents, from after the August 1 meeting, showing a cut in Ninewa's allocations by over 30% for all fuel products. Dr. al-Zibari asserted this new allocation may better reflect the actual production capacity of Bayji.

¶3. (C) MDN-N tracks the trucks from across the region uploading fuel products at Bayji. According to MND-N's analysis, Ninewa has never sent enough trucks to receive its allocation. Though corruption continues, MDN-N is confident that Ninewa could receive its entire allocation with the proper number of trucks. If it were to do so, the extra fuel would visibly reduce the fuel shortage.

¶4. (SBU) When TL Hyland asked Dr. al-Zibari if he communicates these challenges to Ninewa Governor Kashmoula, Dr. al-Zibari said he talks with him "three times a day." He offered to host a meeting in his Dahuk offices with the Governor, MND-N DCG/S Wiercinski, and TL Hyland to address Ninewa energy issues. TL Hyland said he thought this was an excellent idea and will propose it to the Governor. BG Wiercinski supports this proposal. Dr. al-Zibari proposed such a meeting could encompass the short term fuel products challenges as well as longer term issues such as domestic refineries, power plants, energy imports and the Mosul dam.

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Hamam al Alil: An Alternative to Trucks

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¶5. (SBU) Dr. al-Zibari said the MOO still has not executed allocated funds for the repair of the Bayji-Hamam al Alil pipeline. Additionally, coordination is required between MOO and MOD in order to provide pipeline security. (Note: The Hamam Al Alil fuel depot outside Mosul was recently and completely renovated by CF and could be fully operational were it receiving fuel. However, it is a pipeline-fed depot and the pipeline from Bayji has several breaks preventing the depot from operating as designed. End Note.) According to the Provincial Director General of Oil, trucks occasionally use the depot but at nowhere near its capacity.

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Al Kisik as Partial Fix  
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¶6. (SBU) Dr. al-Zibari said the Al Kisik Oil Refinery in Ninewa Province is currently capable of producing 7,000-8,000 barrels/day of refined fuel product. Al Kisik previously received Kirkuk crude oil through the 46/40" export pipelines to Turkey via Bayji. This resumed briefly in June 2007 but Dr. al-Zibari claims the Bayji manager refused to allocate crude to Al Kisik. Dr. al-Zibari volunteered a work around, by which he would provide trucks to bring the crude directly from Kirkuk but this awaits MOO authority to implement.

¶7. (SBU) Al Kisik could provide up to 25% of the province's requirements for diesel, in dire need in both the industrial and agricultural sectors. As well, upwards of 90% of Ninewa's consumer electrical power is fueled by diesel generators. Dr. al-Zibari asked for USG support in urging the MOO to provide him authorization to carry out this operation.

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Even at Full Domestic Capacity, Imports Urgently Needed  
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¶8. (C) Dr. al-Zibari said that 70% of Ninewa's fuel needs must be met by imports. (Note: PRT-Ninewa and MND-N concur with this analysis.) He noted that GOI support of fuel imports for northern Iraq has decreased from over \$100 million USD per month last year to nothing today. Dr. al-Zibari asked our assistance in communicating the urgency of this to the GOI and expressed hope that negotiations between GOI, Turkey and Syria for fuel imports would occur as soon as possible. He stressed that imports are critical to meet the requirements for all forms of fuel. LPG in particular is in critically short supply, with less than 10% of Ninewa's need being met from internal sources.

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COMMENT  
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¶9. (C) Dr. al-Zibari's bottom-line message about imports is supported both by other contacts and macro analysis of provincial and regional refining capacity. Even under perfect conditions in refining and distribution, provincial demand outstrips domestic capabilities. Direct cooperation among the various Iraqi officials -- national, regional and provincial -- could partially alleviate the crisis nature of the fuel shortage. Without imports, it is difficult to imagine any solution in the short- to medium-term being sustainable. MDN-N and PRT-Ninewa are committed to facilitating this process as much as necessary. END COMMENT.  
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